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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

POWER INTEGRATIONS, INC., a Delaware corporation,

No. C 09-5235 MMC

Plaintiff,  
v.

**ORDER DENYING MOTION FOR  
PERMANENT INJUNCTION**

FAIRCHILD SEMICONDUCTOR INTERNATIONAL, INC., a Delaware Corporation, FAIRCHILD SEMICONDUCTOR CORPORATION, a Delaware Corporation, and FAIRCHILD (TAIWAN) CORPORATION, a Taiwanese corporation,

Defendants.

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Before the Court is the “Renewed Motion for a Permanent Injunction,” filed September 18, 2014, by plaintiff Power Integrations Inc. (“Power Integrations”). Defendants Fairchild Semiconductor International, Inc., Fairchild Semiconductor Corporation, and Fairchild (Taiwan) Corporation (collectively “Fairchild”) have filed opposition, to which Power Integrations has replied. The matter came on regularly for hearing on January 26, 2015. Howard G. Pollack and Michael R. Headley of Fish & Richardson P.C. appeared on behalf of Power Integrations. Blair M. Jacobs and Christina A. Ondrick of McDermott Will & Emery LLP appeared on behalf of Fairchild. Having considered the papers filed in support of and in opposition to the motion, and the arguments of counsel at the hearing, the Court rules as follows.

1       In the above-titled action, Power Integrations brings claims asserting Fairchild's  
 2 infringement of two patents issued to Power Integrations, specifically, U.S. Patent No.  
 3 6,538,908 ("908 patent") and U.S. Patent No. 6,212,079 ("079 patent"), both said patents  
 4 relating generally to power supply controllers. On March 4, 2014, a jury returned a verdict  
 5 in which it found a number of Fairchild's products infringed both the '908 and '079 patents,  
 6 and awarded damages in the amount of \$105,000,000. (See Verdict, filed Mar. 4, 2014.)  
 7 Thereafter, the Court granted Fairchild's motion for a new trial on the issue of damages.  
 8 (See Order Granting in Part and Denying in Part Fairchild's Renewed Motion for  
 9 Reconsideration, filed Nov. 25, 2014.)<sup>1</sup>

10       By the instant motion, Power Integrations seeks a permanent injunction prohibiting  
 11 Fairchild from "making, using, selling, or offering to sell in the United States, or importing  
 12 into the United States," certain enumerated integrated circuit products and variations of the  
 13 listed products that are "not colorably different." (See Proposed Order at 4:6-22.)  
 14 Additionally, the requested injunction would direct Fairchild to provide notice of such  
 15 injunction to "all distributors, customers, or other third-parties who have ordered, received,  
 16 or purchased" the enumerated parts, restrain Fairchild from inducing others to infringe the  
 17 two relevant patents, and require Fairchild to include, with any enumerated or "not colorably  
 18 different" product that Fairchild delivers outside the United States, a short description and  
 19 copy of the order granting the permanent injunction. (See *id.* at 4-5.)

20       "[A] plaintiff seeking a permanent injunction must satisfy a four-factor test before a  
 21 court may grant such relief." eBay v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006). In  
 22 particular, such "plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2)  
 23 that remedies available at law, such as monetary damages, are inadequate to compensate  
 24 for that injury; (3) that, considering the balance of hardships between the plaintiff and  
 25 defendant, a remedy in equity is warranted; and (4) that the public interest would not be  
 26 disserved by a permanent injunction." Id.

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 28       <sup>1</sup>A status conference has been scheduled for February 17, 2015, at which time the  
 Court will consider the parties' respective proposed schedules for the retrial.

1                   **A. Irreparable Harm**

2                   As to the first factor, Power Integrations argues it has suffered irreparable harm as a  
 3 result of Fairchild's infringement, specifically, lost sales, price erosion, loss of customer  
 4 goodwill, and damage to its reputation. “[T]o satisfy the irreparable harm factor in a patent  
 5 infringement suit, a patentee must establish both of the following requirements: 1) that  
 6 absent an injunction, it will suffer irreparable harm, and 2) that a sufficiently strong causal  
 7 nexus relates the alleged harm to the alleged infringement.” Apple Inc. v. Samsung  
 8 Electronics Co. (“Apple II”), 695 F.3d 1370, 1374 (Fed. Cir. 2012); see Robert Bosch LLC  
 9 v. Pylon Mfg. Corp., 659 F.3d 1142, 1149 (Fed. Cir. 2011) (holding “eBay jettisoned the  
 10 presumption of irreparable harm” after finding of infringement). Fairchild argues Power  
 11 Integrations has failed to make either showing as to any of the types of harm Power  
 12 Integrations claims to have suffered as a result of Fairchild’s infringement.

13                   **1. Lost Sales**

14                   At the outset, Fairchild argues the presence of other competitors in the market  
 15 precludes a finding of irreparable harm, as “one of [those] many competitors could obtain  
 16 any potential lost sale even if Fairchild was not involved in the competitive sales process.”  
 17 (See Opp’n at 4:11-14.) Contrary to Fairchild’s argument, however, the “fact that other  
 18 [competitors] may be in the marketplace does not negate irreparable harm.” See Robert  
 19 Bosch, 659 F.3d at 1151 (internal quotation and citation omitted). Accordingly, the Court  
 20 next turns to the question of nexus.

21                   To establish the requisite causal nexus, a party seeking an injunction based on lost  
 22 sales must show “the infringing feature drives consumer demand for the accused product.”  
 23 Apple II, 695 F.3d at 1375. “[T]he relevant inquiry focuses on the objective reasons as to  
 24 why the patentee lost sales,” Apple, Inc. v. Samsung Electronics Co. (“Apple I”), 678 F.3d  
 25 1314, 1328 (Fed. Cir. 2012), and “should focus on the importance of the claimed invention  
 26 in the context of the accused product, and not just the importance, in general, of features of  
 27 the same type as the claimed invention.” Apple Inc. v. Samsung Electronics Co. (“Apple  
 28 III”), 735 F.3d 1352, 1364 (Fed. Cir. 2013). A patentee need not, however, show the

1 patented feature is “the one and only reason for consumer demand.” Id.

2 Here, Power Integrations contends two patented features drive demand for  
 3 Fairchild’s infringing products, specifically, as covered by the ‘908 patent, a controller chip  
 4 with an “externally settable current limit integrated onto a single multi-function pin that also  
 5 serves other purposes” (the “multi-function” feature) (see Mot. at 13:16-17), and, as  
 6 covered by the ‘079 patent, a controller chip that provides “improved efficiency” (see id. at  
 7 12:10) by “reducing the frequency of the oscillator to reduce switching frequency for lower  
 8 levels of load” (“the “frequency-reduction” feature) (see Power Integrations Opening Claim  
 9 Construction Brief, filed Feb. 18, 2011, at 4:7-9).

10 In support thereof, Power Integrations first points to the datasheets it provides for its  
 11 products,<sup>2</sup> in which it highlights and describes the multi-function and frequency-reduction  
 12 features. Power Integrations further notes that Fairchild likewise highlights the patented  
 13 features in its datasheets, and also points to Power Integrations’ press releases, in which it  
 14 “prominently advertises the technology.” (See Mot. at 12:19-20.) Assuming the above-  
 15 described evidence suggests the parties believed it to be important to incorporate the  
 16 patented features into their respective products, such evidence, without more, is insufficient  
 17 to establish a causal nexus, as “the relevant inquiry focuses on the objective reasons as to  
 18 why the patentee lost sales, not on . . . subjective beliefs.” See Apple I, 678 F.3d at 1328;  
 19 see also Apple II, 695 F.3d at 1376-77 (finding defendant’s description of claimed infringing  
 20 feature as “core user feature,” although included in developer’s guide, “says too little about  
 21 what draws consumers to [accused product]”).

22 Similarly, Power Integrations’ evidence of two awards recognizing the ‘079  
 23 technology says little, if anything, about consumer demand. One such award was given to  
 24 Power Integrations’ CEO, Balu Balakrishnan (“Balakrishnan”), as the “chief inventor”  
 25 thereof (see Headley Decl. Ex. N) and the other, although awarded to Power Integrations,  
 26 was decided by two editors of a “webzine,” and was based on “performance, anticipated

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 28 <sup>2</sup>Datasheets “tell[] the customer what the product is about, what features . . . it [has],  
 and how to use that product.” (Trial Tr. at 383:18-20.)

1 market success, and likely contribution to the field of analog engineering and product  
 2 design" (see Headley Decl. Ex. O) (emphasis added). In sum, such evidence, without  
 3 something more, does not suffice to establish a causal nexus. See, e.g., Apple II, 695 F.3d  
 4 at 1377 (finding blogger's "predict[ion]" that patented feature "could help [accused product]  
 5 win new customers" insufficient to establish causal nexus; finding statement "at best  
 6 reflects an individual belief" that such feature was important to consumers).

7 Nor has Power Integrations, by its citation to testimony from its CEO, Balakrishnan,  
 8 and its Vice President of Product Development, Michael Matthews ("Matthews"),  
 9 succeeded in making the requisite additional showing. Balakrishnan opined that, based on  
 10 his "interactions" with customers, the multi-function feature and frequency-reduction feature  
 11 "contributed" to the demand for Power Integrations' products (see Trial Tr. at 387:1-17,  
 12 400:21-401:2), and Matthews testified the multi-function feature was "important for" Power  
 13 Integrations' customers (id. at 2773:15-23). Neither witness, however, made clear that his  
 14 opinion was based on any specified customer input as opposed to his own subjective  
 15 assessment. Although Balakrishnan also testified that "TOPSwitch-GX [which includes the  
 16 frequency-reduction feature] very quickly replaced TOPSwitch-FX [which does not include  
 17 the frequency-reduction feature]" (see id. at 401:5), a comparison of the datasheets for the  
 18 two products shows that the TOPSwitch-GX includes a number of new features not found  
 19 in the TOPSwitch-FX, many of which are highlighted (see Headley Decl. Ex. S, Ex. V), and  
 20 Power Integrations makes no showing as to whether its customers' purchasing decisions  
 21 were driven by the frequency-reduction feature, or only by one of the other new features.

22 The Court further notes that all of the above-discussed evidence, with the exception  
 23 of the Fairchild datasheets, is directed to Power Integrations' products, not the infringing  
 24 products. The Federal Circuit has clarified that the nexus inquiry "should focus on the  
 25 importance of the claimed invention in the context of the accused product." See Apple III,  
 26 735 F.3d at 1364 (emphasis added). Here, the parties' competing products are circuits, i.e.  
 27 chips, which contain numerous features aside from the patented features. Customers may  
 28 buy a patentee's product because it contains a patented feature, but buy the defendant's

1 infringing product for entirely different reasons, e.g., additional or different features only  
2 available in the defendant’s product. Power Integrations submits no evidence comparing  
3 the similarity of the parties’ competing products as to any features other than the patented  
4 features, and Fairchild has introduced evidence that its accused products contain other  
5 desirable features. (See Trial Tr. at 1424:24-1425:1 (Gary Lin, General Manager of  
6 Fairchild’s Power Conversion Business Unit, testifying “we do have . . . other features in the  
7 product that aggregate together that attract customers, their attention”); see also id. at  
8 2647:8-16 (James Malackowski, Fairchild’s damages expert, pointing out datasheets for  
9 Fairchild’s accused products list “more than a hundred features and functions” and “the  
10 patented technology is just one”.) Given the absence of a sufficient showing that  
11 consumers demand Power Integrations’ products and Fairchild’s products for the same  
12 reasons, Power Integrations’ evidence, even if it were sufficient to show the patented  
13 features drive demand for its own products, is insufficient to establish a causal nexus  
14 between those features and demand for Fairchild’s competing products.

15 As to demand for Fairchild's products, the only evidence Power Integrations submits,  
16 beyond subjective belief,<sup>3</sup> is Lin's testimony that "several customer[s]" requested lower  
17 power consumption in standby mode and that one, Foxconn, bought Fairchild's products  
18 after Fairchild included the patented frequency-reduction feature. (See id. at  
19 1422:25-1425:8.) At the same time, however, Lin also testified, as noted above, that the  
20 accused products contain other features that "attract customers," (see id. at 1424:24-  
21 1425:1) and defendants' damages expert pointed out that the patented technology is "just  
22 one" of "more than a hundred features and functions" listed on Fairchild's datasheets (see  
23 id. at 2647:10-11). Absent evidence of the relative importance of those other features,  
24 there is insufficient evidence to show Fairchild's customers would not buy the accused  
25 product without the infringing feature. See Apple I. 678 F.3d at 1324 (holding "Isales lost

<sup>27</sup> In addition to the above-referenced datasheets, Power Integrations notes that Lin  
<sup>28</sup> agreed “low-load frequency reduction is an important feature of [Fairchild’s] products” (see Trial Tr. at 1425:6-7).

1 to an infringing product cannot irreparably harm a patentee if consumers buy that product  
 2 for reasons other than the patented feature"); Apple II, 695 F.3d at 1375 (finding insufficient  
 3 showing of causal nexus and noting "it may very well be that the accused product would  
 4 sell almost as well without incorporating the patented feature"). Moreover, even assuming,  
 5 arguendo, Power Integrations has made a sufficient showing that the patented feature  
 6 significantly influenced one customer's decision to purchase the accused product, the Court  
 7 finds such evidence insufficient to show the patented feature "drives consumer demand" in  
 8 general. (See Apple I, 678 F.3d at 1328.)

9 Accordingly, the Court, having considered the evidence presented, not only as  
 10 separate items but in combination as well, agrees with Fairchild that Power Integrations has  
 11 failed to make the requisite showing as to a causal nexus between its alleged lost sales  
 12 and the infringing feature.<sup>4</sup>

13 **2. Price Erosion**

14 Power Integrations contends it was necessary for it to reduce the price of its own  
 15 products in order to effectively compete with Fairchild's infringing products. In other words,  
 16 Power Integrations contends it "reduce[d] its own prices on patented products to avoid  
 17 losing even more customers." (See Mot. at 10:1-2.) As set forth above, however, Power  
 18 Integrations has failed to show a causal nexus between Fairchild's sales and Fairchild's  
 19 inclusion of Power Integrations' patented features in its products.

20 Accordingly, for the same reasons as discussed above, Power Integrations has  
 21 failed to show a causal nexus between the claimed price erosion and the infringing feature.

22 **3. Loss of Customer Goodwill**

23 Power Integrations and Fairchild are competitors in a "design-wins" market. In a  
 24 design-wins market, "once a supplier is chosen to meet the needs of a new product line,  
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26 <sup>4</sup>The Court notes that the trial was conducted before the Federal Circuit issued its  
 27 decision in VirnetX, Inc. v. Cisco Systems, Inc., 767 F.3d 1308 (Fed. Cir. 2014). For  
 28 purposes of the instant motion, Synopsys has relied exclusively on the testimony and other  
 evidence introduced at the trial, in which Synopsys took the position that it did not have to  
 establish the value of the patented features as distinct from the value of the smallest  
 saleable unit, the competing chip, as a whole.

1 the supplier's component is essentially designed into the [customer's] product for its life  
 2 cycle." See Broadcom Corp. v. Emulex Corp., 732 F.3d 1325, 1337 (Fed. Cir. 2013).<sup>5</sup>

3 Once again, however, the claimed loss is a lost sale, albeit a more significant sale  
 4 than one made to a single customer in a consumer goods market. In other words, the  
 5 difference between the two markets goes to the magnitude of the harm, and not to the type  
 6 of harm incurred. See, e.g., Apple III, 735 F.3d at 1362 (distinguishing "erosion in  
 7 reputation and brand distinction" from lost sales as "different type[s] of harm").<sup>6</sup>

8 Accordingly, the Court finds Power Integrations is required to show a causal nexus  
 9 between the claimed loss of goodwill and the infringing features, which, as discussed  
 10 above, Power Integrations has failed to do.

#### 11 **4. Damage to Reputation**

12 Power Integrations, citing Douglas Dynamics, LLC v. Buyers Products Co., 717 F.3d  
 13 1336 (Fed. Cir. 2013), contends it has suffered irreparable harm because Fairchild's  
 14 infringing conduct has "undermine[d]" its reputation as an innovator. (See Mot. at 10:15.)  
 15 Douglas Dynamics, however, is distinguishable on its facts. In Douglas Dynamics, the  
 16 Federal Circuit found "the record show[ed]" that the plaintiff therein "ha[d] earned itself a  
 17 reputation in the market as an innovator and trusted supplier," and that the inclusion of the  
 18 patented feature in products considered "less prestigious and innovative" constituted  
 19 irreparable harm to such plaintiff's reputation. See Douglas Dynamics, 717 F.3d at 1344-  
 20 45 (noting district court had "likened [plaintiff's] snowplow to a Mercedes Benz S550 and

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 22 <sup>5</sup>Broadcom also found, on the record presented therein, an "incumbency effect" that  
 23 gave the successful supplier an advantage in future competitions as well. See id. (citing to  
 24 record). Here, no such evidence has been submitted.

25 <sup>6</sup>To the extent Power Integrations, in citing Broadcom at the hearing on the motion,  
 26 may have intended to suggest a causal nexus between a patented feature and demand for  
 27 a competing product is not required in a design-wins market, the Court disagrees. As the  
 28 Federal Circuit noted in Broadcom, "the undisputed evidence at trial linked the claimed  
 invention of the [plaintiff's] patent to the success of the products incorporating it." Broadcom, 732 F.3d at 1337; see also Apple III, 735 F.3d at 1362 (acknowledging  
Broadcom's finding of irreparable harm where parties competed in design-wins market "and  
 'the undisputed evidence at trial linked the claimed invention of [plaintiff's] patent to the  
 success of the products incorporating it'" (quoting Broadcom, 732 F.3d at 1337) (emphasis  
 added).

1 [defendant's] snowplow to a Ford Taurus"). Here, by contrast, the only evidence offered as  
 2 to Power Integrations' reputation is its unwillingness to license its patented technology and  
 3 the receipt, by itself and Balakrishnan, respectively, of the above-referenced two awards.  
 4 Even assuming, arguendo, such evidence is sufficient to support an inference as to how  
 5 Power Integrations is perceived in the industry, and in particular, how it is perceived by  
 6 potential customers, Power Integrations has submitted no evidence suggesting Fairchild's  
 7 products are in any manner considered inferior to Power Integrations' products, or that  
 8 Fairchild's inclusion of either patented feature has otherwise diminished Power Integrations'  
 9 reputation.

10 Accordingly, Power Integrations has failed to show irreparable harm based on an  
 11 "undermining" of its reputation.

12 **4. Conclusion: Irreparable Harm**

13 As set forth above, the Court finds Power Integrations has failed to show it has  
 14 suffered irreparable harm as a result of Fairchild's infringement, and, accordingly, this  
 15 factor weighs against issuance of a permanent injunction.

16 **B. Inadequacy of Monetary Damages**

17 In the absence of a finding of irreparable injury, there can be no finding that legal  
 18 remedies are "inadequate to compensate for that injury," see eBay, 547 U.S. at 391  
 19 (emphasis added), and, accordingly, the second eBay factor likewise weighs against  
 20 issuance of a permanent injunction.

21 **C. Remaining eBay Factors**

22 Because the Court finds Power Integrations has failed to meet its burden as to the  
 23 first two eBay factors, the Court does not address herein the remaining eBay factors. See,  
 24 e.g., Malibu Boats, LLC v. Nautical Boat Co., 997 F. Supp. 2d 866, 888 n.9 (E.D. Tenn.  
 25 2014) (citing Polymer Techs., Inc. v. Bridwell, 103 F.3d 970 (Fed. Cir. 1996)).

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1 **CONCLUSION**

2 For the reasons stated above, the instant motion for a permanent injunction is  
3 hereby DENIED, without prejudice to Power Integrations' filing a renewed motion after the  
4 retrial on the issue of damages.<sup>7</sup>

5 **IT IS SO ORDERED.**

6 Dated: February 12, 2015

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MAXINE M. CHESNEY  
United States District Judge

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28 <sup>7</sup>As noted above, the trial was conducted before the Federal Circuit's decision in  
VirnetX, 767 F.3d 1308.